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2013 AUG 16 A 8:34

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Arizona Corporation Commission

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**BEFORE THE ARIZONA CORPORATION COMMISSION**

IN THE MATTER OF THE  
COMMISSION'S INQUIRY INTO  
RETAIL ELECTRIC COMPETITION

**DOCKET NO. E-00000W-13-0135**

**THE ARIZONA TRANSMISSION  
DEPENDENT UTILITY GROUP AND  
IRRIGATION & ELECTRICAL  
DISTRICTS' ASSOCIATION OF  
ARIZONA REPLY COMMENTS  
ON RETAIL COMPETITION**

The Arizona Transmission Dependent Utility Group and the Irrigation & Electrical Districts' Association of Arizona herewith provide our reply comments to the comments filed in response to the Memorandum of May 23, 2013, soliciting views on a wide range of questions about retail competition.

1       What is missing at this point and is a subject no one really seems to want to parse is the  
2 question of what is retail competition? There has been a legion of discussion but no attempt to  
3 precisely define the term. What people are really talking about, perhaps without knowing it, is  
4 what constitutes generation and what constitutes transmission and distribution? Which  
5 ancillary services are assigned to which category?

6       We know it is not "deregulation". The Court of Appeals made it clear that the  
7 Commission's responsibility to ensure just and reasonable rates meant just that and that  
8 allowing utilities or independent power producers to set "market rates" independent of  
9 regulation was not what the Arizona Constitution contemplated. Short of changing the  
10 Constitution, the Commission is stuck with regulating the product in whatever form or forms  
11 when developed and delivered by jurisdictional entities.

12       Some try to hold up California as an example. There residential rates are 14 cents to 17  
13 cents. There is enough wind and solar in the queue that, if only 25% of it gets built and  
14 integrated, it will drive delivered retail homeowner rates to 20 to 25 cents per kilowatt hour.  
15 Their current and looming electricity mess has caused Arizona politicians and government  
16 entities as well as private sector entities to go to California to recruit companies to come here.  
17 That strategy alone shows why California should not be an example for anyone. Nor should  
18 Texas. It is a well documented fact that the shift to retail competition as Texas defines it has  
19 caused its economy something in the order of \$10 billion. Its push to develop wind energy is  
20 just now being realized as a serious problem going forward.

21       Which brings us to the seminal question: Why do this at all? What is wrong with the  
22 way consumers get electricity in Arizona? What is wrong with the way businesses generally  
23 get the electricity they need in Arizona? Certainly, very large users could negotiate  
24 independently with an independent power producer (IPP) with the goal of getting lower rates  
25 overall. But what happens when the IPP unit fails or trips offline because of some other reason  
26 beyond its control? Is it the provider of last resort? Probably not. How will the incumbent  
27 utility that has to be left holding the bag for the consumer be compensated? How much extra  
28 capacity in the system will each of the incumbent providers have to carry?

1 As we said in our opening remarks, this Commission has many other major issues that  
2 should be on its agenda. It is clear that this Administration in Washington, D.C. and its  
3 Department of Energy wish to take jurisdictional authority away from this Commission and  
4 other western commissions. We are attaching to these comments a report of a speech that  
5 clearly says so.

6 In the meantime, the power marketing administration (PMA) in this area, the Western  
7 Area Power Administration, continues to push forward on avenues that its customers and  
8 customers of other PMAs have strongly resisted, that Congress has openly and in a bipartisan  
9 fashion opposed and that Western's customers still oppose. The push is on to "organize" the  
10 West. The camel's nose under the tent is the attempt to establish an energy imbalance market  
11 (EIM). The rest of the camel is a regional transmission organization (RTO) or independent  
12 system operator (ISO), both of which rob state commissions of jurisdiction, rob state  
13 legislatures of jurisdiction, and rob customers of their money.

14 We would urge you to collect these reply comments, review them and close this Docket.  
15 Nothing good can come of this inquiry. It only causes the utilities to pause in their decision  
16 making and create further uncertainty beyond that created by this inquiry. We have too many  
17 other pressing issues. This issue needs to be put back in the file box.

18  
19 **RESPECTFULLY SUBMITTED this 16<sup>th</sup> day of August, 2013.**

20  
21 **ROBERT S. LYNCH & ASSOCIATES**

22  
23 By



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1 **ORIGINAL** and 13 copies filed  
2 this 16<sup>th</sup> day of August, 2013 with:

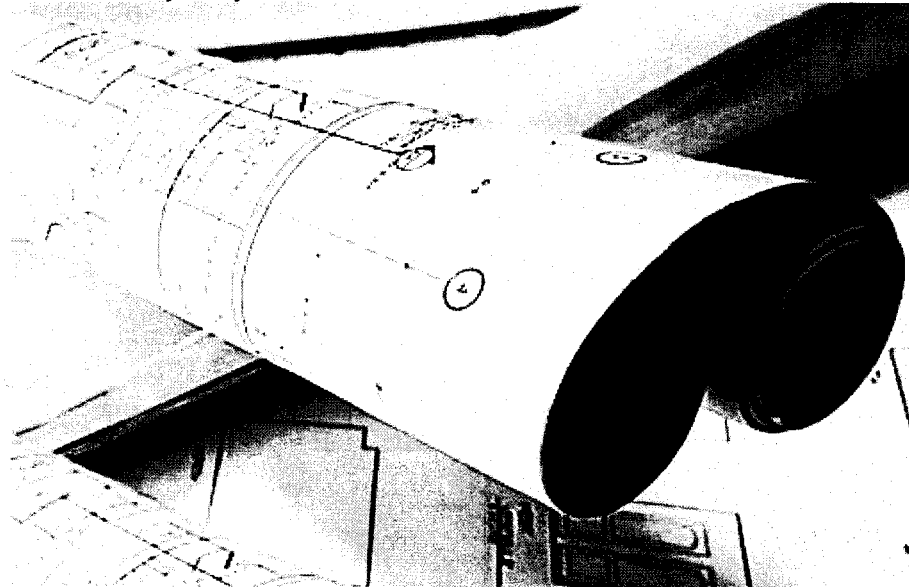
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# States will eventually relinquish control over infrastructure decision-making - Azar

*Azar applauds state regulators for joining RTOs, giving up jurisdictional authority*

06/28/2013 By Rosy Lum



State commissioners will eventually cede control over decision-making when it comes to certain infrastructure, Lauren Azar, senior advisor with the U.S. Department of Energy, said.

During the Midcontinent ISO's (MISO) stakeholder meeting on June 19, Azar extolled the successes of the RTO, its capturing of economies and facilitation of regional planning, and said that decision-making responsibilities will gradually shift to more regional or national bodies.

"To be quite frank with state commissioners, ... more and more control over some of the infrastructure [is] going to be moving from the states into a more regional or national decision-making mode, ... which is going to save everybody money but is scary," Azar said.

As an RTO, MISO hTO, MISO has been able to save consumers money through its "enormous economies," and has "more than paid for itself," she said.

The deployment and utilization of synchrophasors in the MISO region will be instrumental in determining beneficiaries and allocating costs appropriately. Azar noted that one of the challenges during MISO's regional planning process revolved around cost allocation and whether there was accurate and granular data.

"Synchrophasors are going to help give us granularity that is going to be needed to allow us to drill down further with regards to where the beneficiaries are in relation to load flows and how cost allocation will be spread out over the beneficiaries," she said.

Trillions of dollars need to be invested in the United States' energy infrastructure, and having an entity such as an RTO act as arbiter in the interests of several states, rather than just one, will ultimately help facilitate large-scale investments, Azar said. Having an effective cost allocation process will also make these investments easier.

"It's the kind of coordinated action that we see within MISO that I think is going to be critical for us to be able to afford that and to get the kind of infrastructure we need," she said.

While she praised MISO, she also commended state commissioners for moving to RTOs and giving up certain jurisdictional privileges, which she acknowledged was not an easy thing to do.

"I hope stakeholders give the states credit, because joining an RTO is very difficult for state commissioners," she said. "[T]he fact that we've given up jurisdiction and we don't quite control things the way we used to can be difficult."

But she urged that stakeholders look to the big picture, to what is best for the region, rather than to the interests of a single constituency.

She and other speakers said th; ">She and other speakers said that it was paramount that state commissioners and stakeholders have faith in governance structures and keep the long-term goal in mind. Though there is a robust stakeholder process in MISO, ultimately the MISO board of directors makes the final decisions.

"That's part of the sense of state commissioners losing something and it's a difficult thing but as long as you have trust and there is legitimacy in the board of directors and that they're doing what's right for the region, you may lose in this specific issue but in the end, you're going to win in other decisions," she said. "[T]he high tide lifts all boats. That's what we're looking for in RTOs and in fact the history of MISO has already shown that that is indeed the case."

Such solidarity may help avert contentious situations, in which a utility tries to exert pressure in order to secure certain advantages. State regulators can help with this by talking to their utilities and telling them that though such posturing may help it in the short-term, other utilities may do the same thing, which will hurt everyone in the long term.

"If you're looking to win every battle you're not on the right battlefield," she said. "[T]his is about working together to get a group of decisions, a series of infrastructure that helps everybody."



#### ABOUT THE AUTHOR

### **Rosy Lum**

Rosy Lum, Chief Analyst for TransmissionHub, has been covering the U.S. utility industry for over six years. She began her career as an energy journalist at SNL Financial, for which she established a New York news desk. She covered topics ranging from energy finance and renewable policies and incentives, to master limited partnerships and ETFs.

Thereafter, she honed her energy and utility focus at the Financial Times' *dealReporter*, where she covered and broke oil and gas and utility mergers and acquisitions.